July 11, 2007

Ms. Marlene Dortch
FCC Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

RE: FCC 07-32, MB 07-51

Dear Ms. Dortch,

Please place this letter in the record of FCC 07-32, MB 07-51 regarding exclusive contracts between cable service providers and Multi Dwelling Unit (Property Owners or MDU's). We respectfully request that the FCC does not remove property owner's rights to enter into exclusive agreements with broadband service providers as it would severely damage the financial viability of the many small private providers like Ygnition that serve the MDU Industry.

The following outlines further details that we believe should be considered.

Background

Ygnition Networks provides video, high-speed Internet services and VoIP to MDU residents. We currently employ 135 full time employees, serve approximately 18,000 video customers and we are one of a number of small Private Cable Operators (PCOs) (revenues generated from MDU residents of $20 million annually or less) in this specific industry niche. Property Owners select companies like ours because of our ability to better service their residents and tailor channel lineups specifically to the demographic profiles of the residents that live in their buildings. This customization of services and products is generally not easily attained from the traditional larger service providers. We are typically held to a higher service standard than the larger service providers and must provide comparable, or better, products and services in order to obtain new business.

We believe that eliminating the rights of private property owners to enter into exclusive service agreements would result in the unintended consequence of actually reducing competition, not expanding it, for the following reasons:

1. Exclusive Agreements Actually Encourage Competition Within the MDU Market.

By entering into exclusive contracts with property owners, PCO's are able to secure the necessary capital to invest in the systems serving MDU properties. We recently entered into a new line of credit and our lenders focused specifically on the underlying Right of Entry (ROE) Agreements with property owners, in terms of both exclusivity and length

Ygnition

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of term, in order to develop reasonable financing models. In fact, the borrowing base for our loan is specifically calculated based on the remaining life of the ROE's. Without the key contract right of exclusivity, the uncertainty surrounding the projected subscribers and corresponding cash flow would be in doubt, and the ability for companies like ours to secure the necessary financing would disappear. The net affect of this will be that smaller competitors in this market segment will not survive and other larger service providers will have even less competition. We believe this unintended consequence of removing smaller providers such as Ygnition from the MDU market is not in the public's best interest.

2. Market Forces are Already Moving Some MDU Owners to Seek Non-Exclusive Agreements in Certain Cases.

Some MDU owners have, in certain situations, renewed existing agreements on a non-exclusive basis. We are currently serving a property in which our original exclusive agreement had expired, we were able to repay our lender and receive a return and as such we agreed to a non-exclusive renewal to compete along with a significantly larger, well known provider who then overbuilt the property and is competing head to head with us. The concept of competing fairly has not been fully accepted by this specific provider, and we believe their actions are indicative of the predatory activities that all larger providers would engage in to eliminate smaller providers like Ygnition, if exclusivity were abolished. Our concerns have been validated by their actions to date, which have included anticompetitive behavior such as:

A. Contacting our existing subscribers and informing them that we will no longer be providing service to the building and they should immediately sign up with them. This is similar to the "slamming" activities that the long distance carriers used to illegally convert unsuspecting subscribers.

B. Physically damaging our cable plant and related electronics. We have actual physical evidence of our electronics torn off of mountings and our distribution plant being cut. This damage has created numerous outages. In addition to the financial costs incurred, our reputation is being damaged because our customers are impacted by these activities. They don't understand the reason for the outage except that they know is that their television service is not working which is a negative for us.

We further expect our competitors to offer artificially lower rates for services until they have skimmed off the vast majority of the customers in the building. Thus, they will effectively be forcing smaller competitors out of business since we don't have the wherewithal to offer below cost pricing. History suggests that they will be using their single family home subscribers from an entire city/county/state area to cross subsidize their below cost rates and anticompetitive behavior in MDUs. The fact is that most MDU properties don't house enough subscribers to afford two companies the luxury of a long-term competitive micro market. While this may be good for consumers in the short run, as soon as the competitors like Ygnition are eliminated, history indicates that prices to consumers will increase dramatically. It is also important to point out that PCO's don't enjoy these same monopolistic characteristics when we serve an MDU on an exclusive basis. For instance MDU owners always require in their agreements with a PCO a "Price Competitive and Product Availability/Technology Comparability" clauses relative to the rates we charge and the products we deliver. This ensures that their individual residents receive market rates and quality products for the services they buy.

3. Even with Exclusive agreements there are already multiple providers available to residents living in MDU buildings.

Ygnition's typical agreement provides that we may be the only "on premise" provider which means that we own and maintain the distribution plant in the ground at the property. The reality of the marketplace today is that in addition to the "on premise" service offered by either a PCO or larger provider, customers can also provision service from;

A. DBS service providers like Dish Networks and Direct TV. With the OTARD regulations defining how residents can access DBS services now well established, owners must fully cooperate with customers seeking service from these providers.
B. Phone companies are also aggressively selling DBS services in conjunction with their voice services.
C. Phone companies (like AT&T with their U Verse service) have begun to role out IP Television that is delivered over the phone lines and requires no on premise equipment thus competing directly for subscribers without any contractual agreement with MDU owners.

<u>Conclusions:</u>

1. We believe that exclusive agreements are a critical component to the survival of smaller companies like Ygnition Networks. Elimination of exclusive agreements would almost certainly force many small providers out of business and, as such, remove competition from the marketplace. This is contrary to what many of the larger companies would like you to believe.

2. Private property owners (MDU Owners) are sophisticated business people who can, and will, negotiate with providers for non-exclusive agreements when the business conditions necessitate it. We believe that government intervention in private contracting activities is not necessary since property owners are very concerned about the needs and desires of their tenants.

3. Even with exclusive agreements, MDU residents have access to multiple provider choices and also can choose not to live in an MDU that doesn't offer the services they desire.

For these reasons, we respectfully request that the FCC allow exclusive agreements to remain or at a minimum allow exclusive agreements within the MDU market segment only for those providers that do not have market power and fall below the FCC definition of "small".

Should you have any questions regarding the above or would like further clarification please do not hesitate to call us at (206)574-5480.

Very truly yours,

Kevin Coyle
Chief Executive Officer

Glenn Meyer
Founder and Chairman

July 11, 2007

Ms. Monica Desai
Media Bureau
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

RE: FCC 07-32, MB 07-51

Dear Ms. Desai,

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